

AR35

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Q BROADCASTING LTD.
annual report 1972

REGISTERED OFFICE

1134 Burrard Street, Vancouver, B.C.

BOARD OF DIRECTORS

W. E. BELLMAN President, Q Broadcasting Ltd., Vancouver
J. E. STARK Vice-President, Q Broadcasting Ltd., Vancouver
M. L. FOISY Vice-President, Q Broadcasting Ltd., Vancouver
N. L. HULLAH Vice-President, Q Broadcasting Ltd., Vancouver
J. G. LAMB Director, A. E. Ames & Co. Ltd., Vancouver
A. B. CLIFF President, Wescorp Industries Ltd., Vancouver

OFFICERS

W. E. BELLMAN President, Chief Executive Officer
J. E. STARK Vice-President - Finance, Secretary-Treasurer
M. L. FOISY Vice-President - Programming (Vancouver)
N. L. HULLAH Vice-President - Sales (Vancouver)

TRANSFER AGENTS

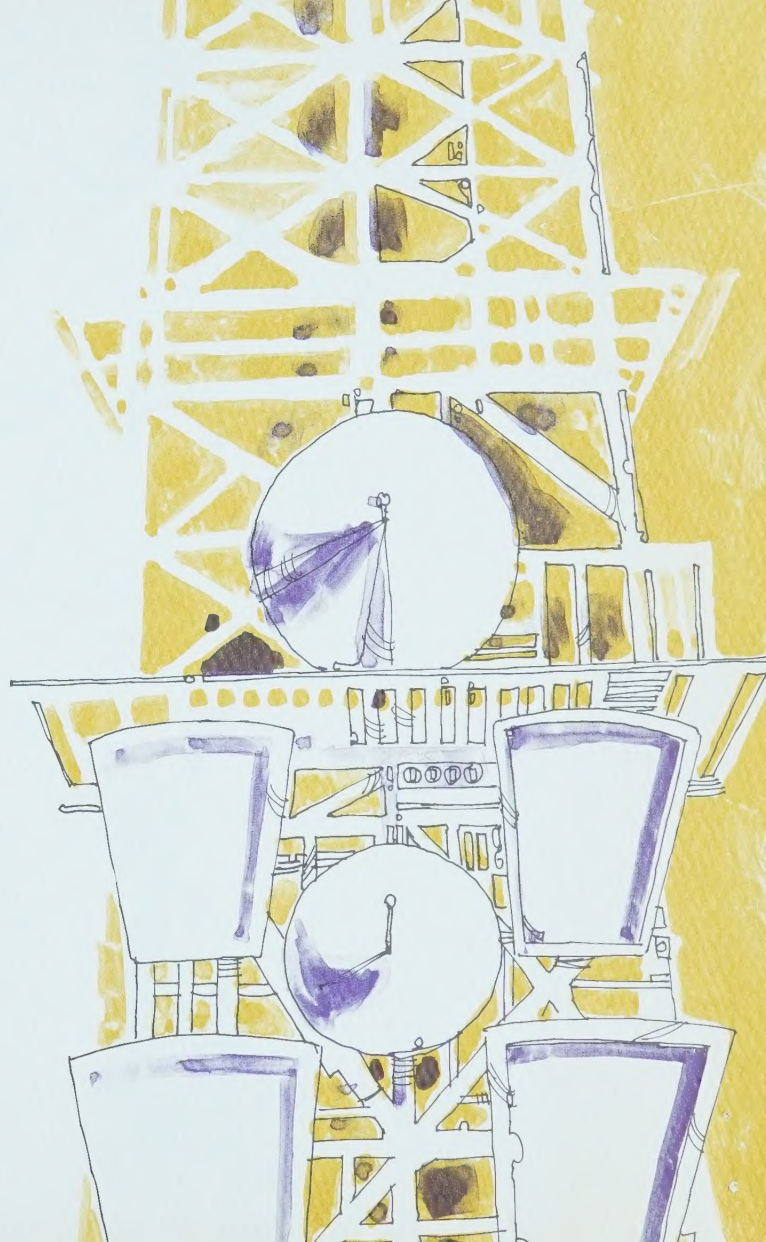
MONTREAL TRUST COMPANY, Vancouver

AUDITORS

THORNE, GUNN & CO.

HIGHLIGHTS OF THE YEAR

	Twelve months ended August 31, 1972
Net income for the year	\$ 236,217
Earnings per share	56¢
Source of funds:	
Operations	387,513
Provision for income taxes	202,907
Working capital at end of year	592,880
Shareholders' equity	1,906,075



PRESIDENT'S REPORT

Our most recent fiscal year represents the period ending August 31, 1972. It has been a period both good and bad.

The good portion is a satisfactory growth in earnings per share from 48¢ last year to 56¢ per share this year.

Gross revenues of your company for the twelve month period were \$2,527,304 compared to \$2,282,529 the preceding year. Net profits were \$236,217 compared to \$203,010 in 1971.

There has also been a substantial increase in our working capital.

Now to the other side of the problem. The recent market value of Q Broadcasting Ltd. Class A Shares has been very disappointing. Our shares have recently traded at a Price/Earnings ratio of ten compared to a communications industry average of approximately thirty. There appears to be general agreement among market analysts as to the reasons for this.

We have a relatively small number of shares in general distribution. Our accumulating capital should be invested in additional expanding operations.

The executives and board of your company have been seeking a suitable acquisition ever since our plans for purchasing cable systems in the Okanagan were unsuccessful. We are optimistic that we will be able to correct that situation before the end of this new fiscal year.

We are still studying the merits of filing an application for a licence to operate a television station serving the City of Vancouver and south-western British Columbia.

The filing date for these applications invited by the Canadian Radio and Television Commission is mid-January 1973, with a projected on-air date of late 1974.

Q Broadcasting Ltd. presently owns and operates Radio Stations CHQM and CHQM-FM Stereo, Vancouver; Radio Station CKPG, Television Station CKPG-TV, Prince George, B.C., and Q Music, the largest background music service in the Province of British Columbia.



CHQM VANCOUVER

Perhaps you noticed our most recent audience promotion full colour advertisement in the November issue of Vancouver Calendar Magazine. The headline read, "We'd like to be more attractive to Women".

The ad caused considerable comment in Vancouver and drew almost one thousand replies to our request for suggestions completing the paragraph, "CHQM would be irresistible to me if you would only . . ."

The replies were from women. Many of them said in effect — "Stay as sweet as you are". The remainder made specific suggestions on how to make CHQM more attractive to women.

The suggestions fell into about half a dozen categories, all of which will be acted upon immediately. Nothing dramatic, no basic change, but many added features to make CHQM more informative, more interesting and hopefully fascinating to a larger number of women. They make up the larger portion of available audience throughout the broadcast day.

The reason for our desire to be more attractive to women is that talk shows in Vancouver have recently drawn some female listeners away from CHQM.

We have always had a strong position with male listeners, especially in the business community. Our total coverage of news, the stock market, weather, editorials, outdoor activities and numerous other community affairs is in our opinion, the finest in the city.

Perhaps we have neglected the ladies or at least some of them.

Now we intend to romance and entrance more of them all day.

CHQM is the only alternative on the AM band if you don't care for rock or talk or the more wide ranging and esoteric fare of the C.B.C.

Our banner for 1973 is inscribed, "Let's hear it for the ladies".



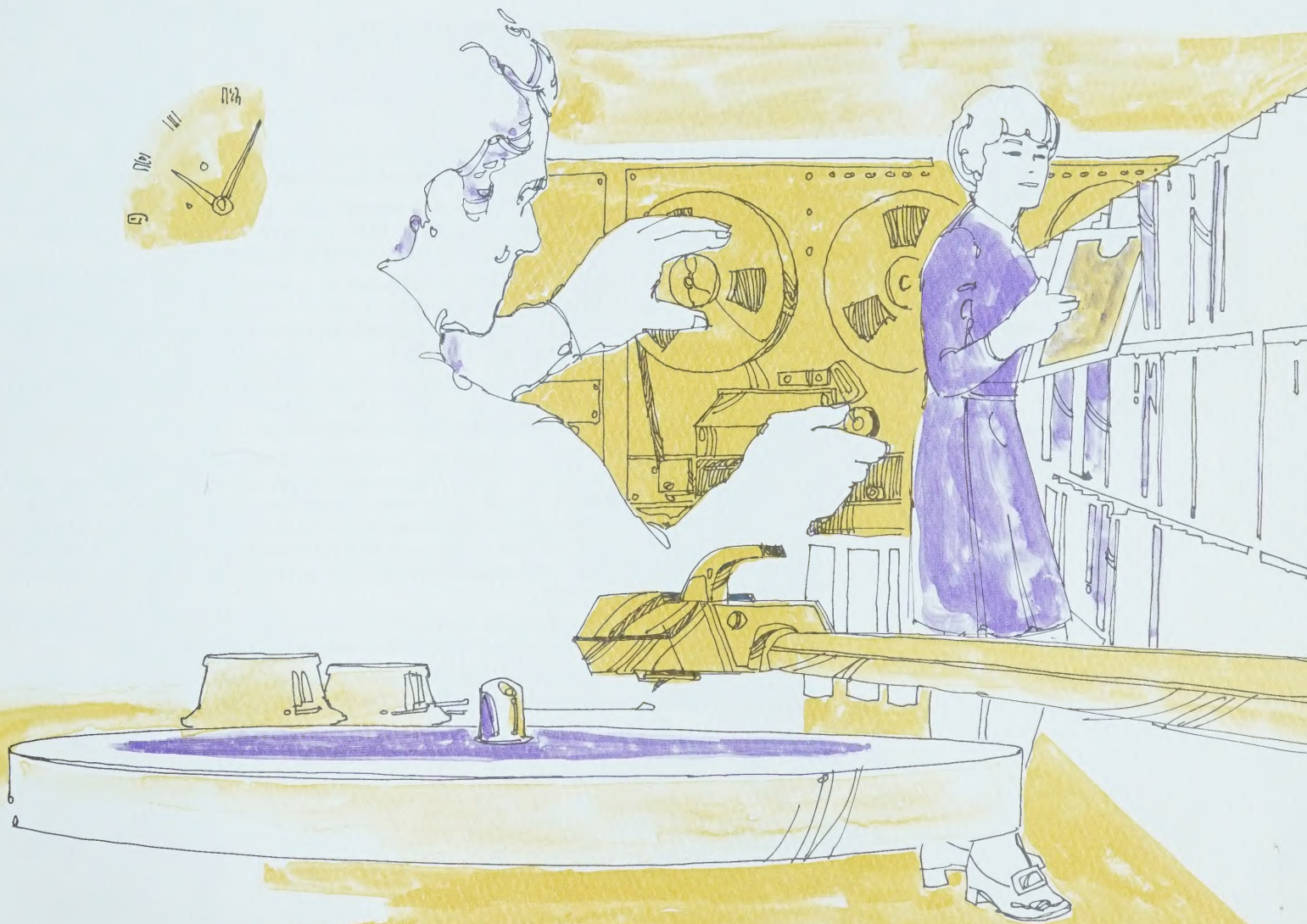
"We'd like to be more attractive to women"

CHQM-FM STEREO

Probably the most significant news is this: In 1973, QM-FM will be given new call letters — a distinct and separate identity from CHQM-AM.

This will allow Q Broadcasting to design promotion that emphasizes the difference between our two maximum power stations; it will give an important boost to the growing interest in FM Stereo reception in the Vancouver area; and, it will help time salesmen to create and sell advertising campaigns specially for QM-FM.

Experience seems to indicate that separate call letters lead to a more accurate identification of an FM station where there is the possibility of confusion with a competing AM station bearing the same call letters. Hopefully this will result in a larger rating for each station in those all important B.B.M. Surveys.



Q MUSIC

British Columbia's major background music service took an aggressive new approach to sales in 1972, with the publication of a multi-color brochure. Thousands of copies are in circulation. Meanwhile, the music continues to sell itself, as it is heard in more and more shops, offices and apartment buildings. The remarkable increase in construction assures Q Music of new customers. Downtown Vancouver alone presents literally thousands of potential Q Music clients. Background music is regarded now as a necessity in businesses of every kind. Q Music's edge is its freshness. The music is changed regularly, so that it never becomes dated or boring. Firms have learned that they can decorate with music. With Q Music, the decor is always in style.

CKPG AND CKPG-TV, PRINCE GEORGE

Two major developments have occurred in Prince George since Q Broadcasting Ltd. obtained these properties in January of 1970.

The CRTC licenced a second radio station in Prince George which began operations in late 1970. They also authorized the installation of a second television station serving this market.

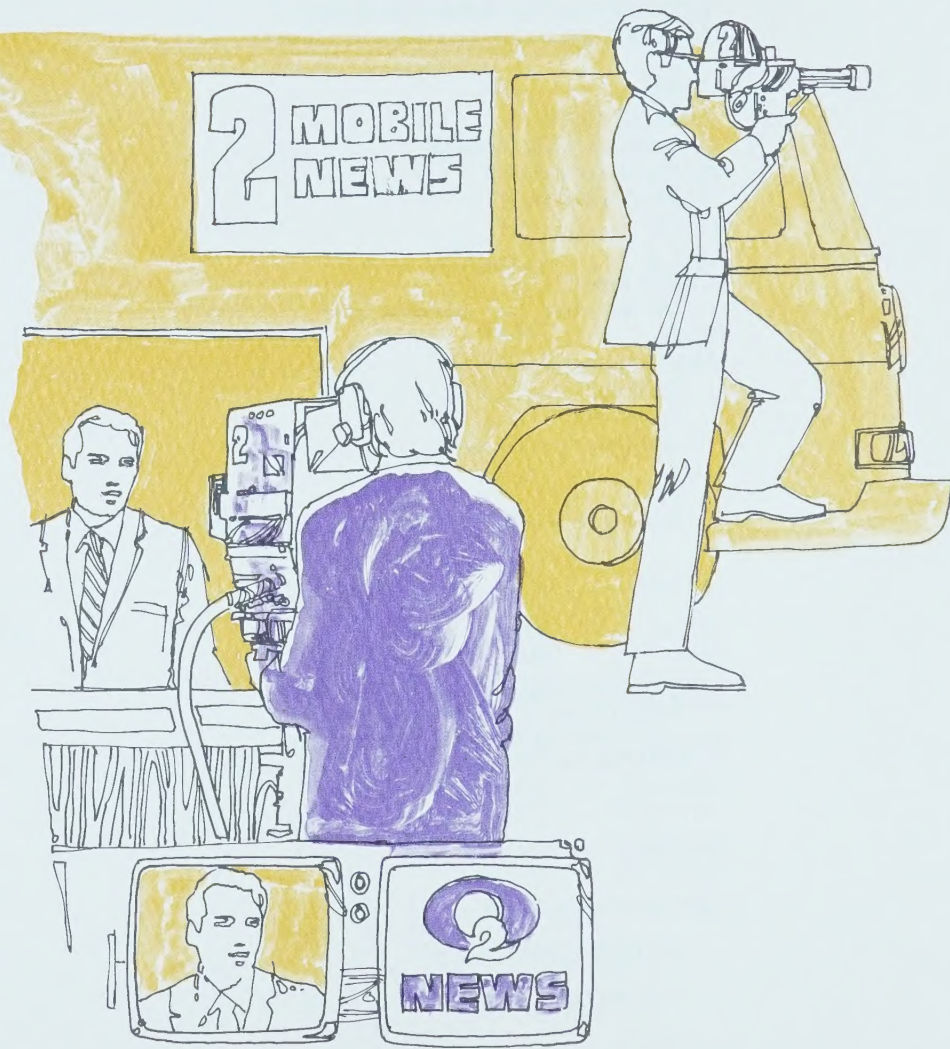
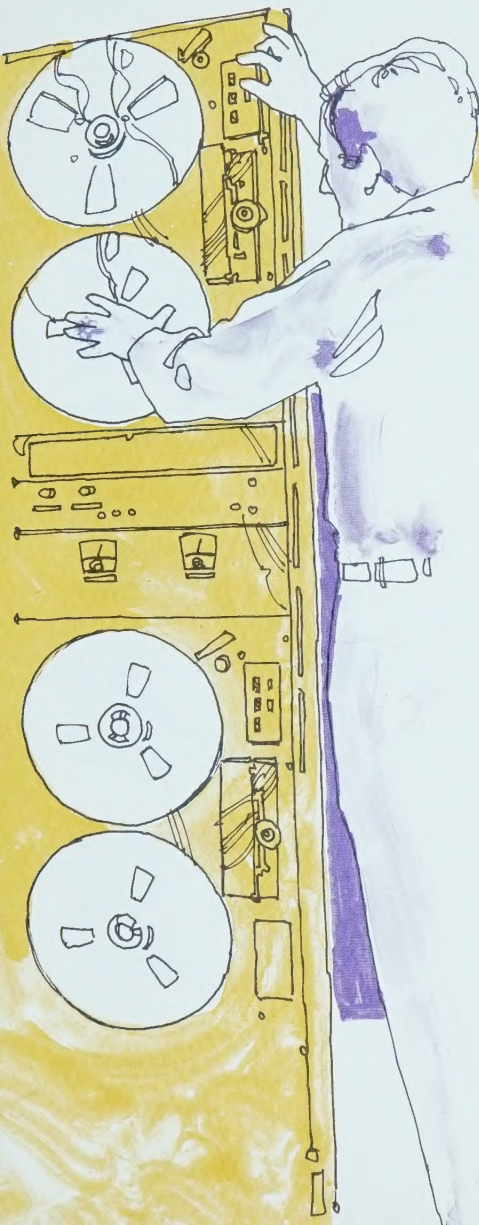
While we were not opposed to a second television service for the people of Prince George, it will be a factor in reducing our national revenue from advertising agencies and advertisers in Toronto, Montreal, Vancouver and the U.S.

A revenue sharing agreement has been worked out with B.C. Television Limited, operators of the new television outlet, which hopefully will cover any losses in national advertising.

We are hoping to see an increase in local television billings as we are permitted, under our agreement, to put commercials on this new channel in addition to our own, and our competitor will not be allowed to solicit advertising from the local merchants in Prince George. Ultimately, this will lead to increased local revenues for television which hopefully will come largely from advertising media other than our own radio station.

During the last 12 months radio revenue in Prince George has shown a small decrease — television revenue a substantial increase.

At this date it is anticipated that the second television station will commence operations before the end of 1972.



CONSOLIDATED BALANCE SHEET

At August 31, 1972, with comparative figures at August 31, 1971

ASSETS	1972	1971
CURRENT ASSETS		
Cash and deposit receipts	\$ 322,825	\$ 182,161
Accounts receivable	431,671	422,671
Prepaid expenses	39,267	33,524
	<u>793,763</u>	<u>638,356</u>
OTHER ASSETS		
Life insurance, cash surrender value	<u>7,105</u>	<u>6,151</u>
FIXED ASSETS, at cost		
Buildings	288,727	286,539
Equipment	1,402,126	1,356,416
Leasehold improvements	69,052	68,942
	<u>1,759,905</u>	<u>1,711,897</u>
Less accumulated depreciation and amortization	<u>1,068,078</u>	<u>973,298</u>
	691,827	738,599
Land	<u>99,925</u>	<u>99,757</u>
	<u>791,752</u>	<u>838,356</u>
INTANGIBLES AND DEFERRED CHARGES		
Excess of cost over book value at date of acquiring shares of subsidiaries	591,142	591,142
Deferred finance charges	—	4,134
	<u>591,142</u>	<u>595,276</u>
	<u><u>\$2,183,762</u></u>	<u><u>\$2,078,139</u></u>

Approved by the Board

W. E. BELLMAN, Director

J. E. STARK, Director

LIABILITIES**CURRENT LIABILITIES**

	1972	1971
Accounts payable and accrued liabilities	\$ 185,457	\$ 201,958
Unearned income	11,448	6,986
Income taxes payable	3,978	18,423
Long-term debt due within one year	—	24,614
	<u>200,883</u>	<u>251,981</u>

DEFERRED INCOME TAXES

	<u>76,804</u>	<u>75,740</u>
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SHAREHOLDERS' EQUITY**CAPITAL STOCK (note 1)**

Authorized

- 1,500,000 Non-voting Class A shares
without nominal or par value
- 1,000 Common shares
without nominal or par value

Issued

424,600 Class A shares (1971 — 424,000)	867,000	862,500
1,000 Common shares	200	200
	<u>867,200</u>	<u>862,700</u>

RETAINED EARNINGS (note 2)

	<u>1,038,875</u>	<u>887,718</u>
	<u>1,906,075</u>	<u>1,750,418</u>
	<u>\$2,183,762</u>	<u>\$2,078,139</u>

CONSOLIDATED STATEMENT OF INCOME

Year ended August 31, 1972, with comparative figures for 1971

	1972	1971
Gross revenue	\$2,527,304	\$2,282,529
Operating expenses	<u>1,964,094</u>	<u>1,740,509</u>
Income from operations	563,210	542,020
Add		
Interest earned	12,630	4,087
Gain on sale of fixed assets	<u>13,516</u>	<u>2,859</u>
	<u>589,356</u>	<u>548,966</u>
Deduct		
Interest and amortization of deferred finance fees	4,134	8,511
Depreciation and amortization	<u>146,098</u>	<u>144,166</u>
	<u>150,232</u>	<u>152,677</u>
Income before income taxes	439,124	396,289
Income taxes	<u>202,907</u>	<u>193,279</u>
NET INCOME FOR THE YEAR	<u>\$ 236,217</u>	<u>\$ 203,010</u>
EARNINGS PER SHARE	<u>\$.56</u>	<u>\$.48</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended August 31, 1972, with comparative figures for 1971

	1972	1971
Retained earnings at beginning of year	\$ 887,718	\$ 727,208
Add net income for the year	<u>236,217</u>	<u>203,010</u>
	<u>1,123,935</u>	<u>930,218</u>
Deduct		
Dividends on		
Class A shares	84,860	42,400
Common shares	<u>200</u>	<u>100</u>
	<u>85,060</u>	<u>42,500</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$1,038,875</u>	<u>\$ 887,718</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended August 31, 1972, with comparative figures for 1971

	1972	1971
SOURCE OF FUNDS		
Net income for the year	\$ 236,217	\$ 203,010
Items not involving current funds		
Depreciation and amortization	146,098	144,166
Deferred income taxes	1,064	4,953
Deferred finance charges	4,134	5,409
	<u>387,513</u>	<u>357,538</u>
 Proceeds from sale of fixed assets, net of gains included in net income	 19,144 4,500	 6,154 —
Issue of capital stock	—	50,000
Share purchase deposit refundable	<u>411,157</u>	<u>413,692</u>
 APPLICATION OF FUNDS		
Additions to fixed assets	118,638	165,899
Dividends	85,060	42,500
Increase in cash surrender value of life insurance	954	906
Reduction of long-term debt	—	24,774
	<u>204,652</u>	<u>234,079</u>
 INCREASE IN WORKING CAPITAL	 206,505	 179,613
 WORKING CAPITAL AT BEGINNING OF YEAR	 386,375	 206,762
 WORKING CAPITAL AT END OF YEAR	 <u>\$ 592,880</u>	 <u>\$ 386,375</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended August 31, 1972

1. CAPITAL STOCK

The company has established an incentive stock option plan for key employees pursuant to which 20,000 Class A shares have been reserved for allotment. During the year 600 shares were purchased under the plan. At August 31, 1972 options were outstanding on 12,800 Class A shares exercisable at \$7.50. These options expire on January 6, 1976.

2. RETAINED EARNINGS

Included in retained earnings at August 31, 1972 and 1971 is capital surplus of \$10,000 arising pursuant to Section 63 of the Companies Act of British Columbia on redemption of preference shares.

3. DIRECTORS' REMUNERATION

Aggregate remuneration of directors, including amounts paid to directors who are also officers for the year ended August 31, 1972, amounted to \$148,287 (1971 – \$138,958).

AUDITORS' REPORT

To the Shareholders of Q Broadcasting Ltd.

We have examined the consolidated balance sheet of Q Broadcasting Ltd. and subsidiary companies as at August 31, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
October 23, 1972

THORNE, GUNN & CO.
Chartered Accountants

